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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/724,075	11/28/2000	Tim Bridges	3499-95	6810

27383 7590 07/14/2004

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EXAMINER	
GRAHAM, CLEMENT B	
ART UNIT	**PAPER NUMBER**
3628	

DATE MAILED: 07/14/2004

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary	Application No.	Applicant(s)	
	09/724,075	BRIDGES ET AL.	
	Examiner	Art Unit	
	Clement B Graham	3628	MW

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on *05 March 2004*.

2a)☐ This action is **FINAL**. 2b)☒ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) *1-14* is/are pending in the application.

4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) *1-14* is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____.

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☒ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☐ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08) Paper No(s)/Mail Date *11*.
4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____ .
5) ☐ Notice of Informal Patent Application (PTO-152)
6) ☐ Other: _____.

DETAILED ACTION

1. Claims, 1-14 are pending.

Claim Rejections - 35 USC § 112

2. Claims 10 and 11, are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

In particular, Claims 10 and 11, do not meet the criteria for an Hedge because it appears one side of the hedge is offsetting it self, rather than the opposite side of the hedge and for further examination the Examiner interprets the claim limitations as designate, a portion of the first part as a hedge of the financial exposure such that the first part offsets the delta of the second part in light of the 112, second rejection .

Claim Rejections - 35 USC § 103

3. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patent ability shall not be negatived by the manner in which the invention was made.

4. Claims 1~~-9,12-~~14, are rejected under 35 U.S.C. 103(a) as being unpatentable over Statement of financial accounting standards No. 133, accounting for derivative instruments and hedging activeities by Edmund L. Jenkins (Hereinafter Jenkins Nov, 1998.Vol. 186, Iss.5; 12 pages) in view of Wallman U.S Patent 6, 360, 210.

As per claims 1, 7-8, Jenkins discloses a method implemented by a programmed computer system for reducing periodic earnings volatility associated with a hedged exposure, the method comprising:

Processing, data and instructions to account for a financial exposure of an associated hedging instrument by designating a portion. ("i. e, percentage") of the value of the financial exposure as being hedged by the hedging instrument. (see page 9-12 of paragraph 18-22) the portion being determined based on processing of data representing a price sensitivity of the hedging instrument with respect to changes in

market value. ("i. e, fair value") of an underlying instrument.(Note abstract and summary see page 9-12 of paragraph 18-22) and in each of a plurality of sequential periods. ("i. e, future periods "see page 16 paragraph 31").

Jenkins fail to explicitly teach redesignation of the portion of the financial exposure based on changed price sensitivity of the hedging instrument.

However Jenkins teaches designation of the portion of the financial exposure based on changed price sensitivity of the hedging instrument, and it would have been obvious to one of ordinary skill in the art that redesignation of the portion of the financial exposure based on changed price sensitivity of the hedging instrument would have been repeating the designation process of Jenkins.

Jenkins fail to teach processing data on the computer to compute.

However Wallman discloses, a computer-based system for managing risk underlying a portfolio of assets/liabilities, includes a graphical user interface, a memory (with a custodial feature), a processor and a link to the party incurring the risk, which could include the public markets through publicly traded hedging devices such as puts and calls. The graphical user interface enables the user to enter information about the portfolio, including a list of assets/liabilities, values for each of the assets/liabilities, shares owned or a percentage of each issue as part of the entire portfolio, and an input of what the user wishes to have limited for downside risk ("shielded or protected"). The processor analyzes the portfolio using, among other known techniques, value-at-risk and sensitivity algorithms and probabilistic analysis to determine an expected likelihood of a catastrophic loss in value at a plurality of specified levels and a likely distribution of outcomes for the portfolio over specified periods, and can also calculate the cost of hedging the risk through the purchase of instruments traded in the public markets. (see column 6 lines 10-60).

Therefore it would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Jenkins to include processing data on the computer to compute taught by Wallman in order to for an investor can manage and limit the inherent risk in a portfolio.

As per claim 2, Jenkins discloses wherein the hedging instrument comprises an instrument selected from the group consisting of a put option, a call option, and a derivative. (see page 11 paragraph 5).

As per claim 3, Jenkins discloses wherein the accounting comprises accounting in accordance with Financial Standards Accounting Board Statement Number 133. (Note abstract).

As per claim 4, Jenkins discloses wherein the financial exposure is associated with changes in market price of the underlying financial instrument, and the edging instrument is an option to exchange a first amount of the underlying financial instrument at a first price on a maturity date. (see page 21 paragraph 8 and page 9-12 of paragraph 18-22).

As per claim 5, Jenkins discloses wherein the first amount is substantially equal to a total value of the financial exposure. (see).

As per claim 6, Jenkins discloses wherein the underlying instrument selected from the group consisting of currency, a commodity and an interest rate. (see page 5 paragraph 7 and page 8 paragraph 15).

As per claim 9, Jenkins wherein the future exchange comprises an exchange selected from the consisting of a put option and a call option. (see page 11 paragraph 5).

As per claims 10-11, Lange discloses a method implemented by programmed computer system for of reducing periodic earnings volatility associated with a hedged exposure, the method comprising:
hedging instrument comprising a first and a second part. (inherent with hedging instrument") wherein changes in the value of the first part substantially offset changes in value of the financial exposure(see page 9-12 of paragraph 18-22) and
designate a portion of the first part as a hedge of the financial exposure such that the remainder of the first part offsets the delta of the second part. (see page 9-12 of paragraph 18-22) and designate, a portion of the first part as a hedge of the financial exposure such that the remainder of the first part offsets the delta.("i. e, volality") of the

second part. (see page 9-12 of paragraph 18-22) and in each of a plurality of sequential periods. ("i. e, future periods "see page 16 paragraph 31").

Jenkins fail to explicitly teach a redesignation of the portion of the first part such that the remainder of the first part offsets the delta of the second part.

However Jenkins teaches designation of the portion of the financial exposure based on changed price sensitivity of the hedging instrument, and it would have been obvious to one of ordinary skill in the art that the redesignation of the portion of the first part such that the remainder of the first part offsets the delta of the second part would have been repeating the designation process of Jenkins.

Jenkins fail to teach executing a computer program module configured to receive data and process computer code instructions to account for a financial exposure of an associated hedging instrument.

However Wallman discloses, a computer-based system for managing risk underlying a portfolio of assets/liabilities, includes a graphical user interface, a memory (with a custodial feature), a processor and a link to the party incurring the risk, which could include the public markets through publicly traded hedging devices such as puts and calls. The graphical user interface enables the user to enter information about the portfolio, including a list of assets/liabilities, values for each of the assets/liabilities, shares owned or a percentage of each issue as part of the entire portfolio, and an input of what the user wishes to have limited for downside risk ("shielded or protected"). The processor analyzes the portfolio using, among other known techniques, value-at-risk and sensitivity algorithms and probabilistic analysis to determine an expected likelihood of a catastrophic loss in value at a plurality of specified levels and a likely distribution of outcomes for the portfolio over specified periods, and can also calculate the cost of hedging the risk through the purchase of instruments traded in the public markets. (see column 6 lines 10-60).

Therefore it would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Jenkins to include executing a computer program module configured to receive data and process computer code instructions to

account for a financial exposure of an associated hedging instrument taught by Wallman in order to for an investor can manage and limit the inherent risk in a portfolio.

As per claims 12-13, Jenkins discloses a method of accounting for a hedged exposure, the method comprising: procuring a hedging instrument to hedge a total exposure value of a financial instrument, and prior to each of a series of sequential time periods, a designated portion of the total exposure value based on a current sensitivity of a price of the hedging instrument and the value of the exposure, and account for the hedging instrument as a hedge on the designated portion.("i. e, percentage") of the total exposure value(see page 9-12 of paragraph 18-22) and subsequent to an end of each time period, processing data and to determine a change in the market value("i. e, fair value") of the hedging instrument over a corresponding time period ("i. e, future periods "see page 16 paragraph 31") and determine a change in the market value of the (Note summary and see page 9-12 of paragraph 18-22), designated exposure over the corresponding time period and account for said change in market value of the hedging instrument offsetting said change in market value of the designated exposure as other than earnings. (see page 9-12 of paragraph 18-22).

Jenkins fail to explicitly teach computer system program instructions to cause processing data to calculate.

However Wallman discloses, a computer-based system for managing risk underlying a portfolio of assets/liabilities, includes a graphical user interface, a memory (with a custodial feature), a processor and a link to the party incurring the risk, which could include the public markets through publicly traded hedging devices such as puts and calls. The graphical user interface enables the user to enter information about the portfolio, including a list of assets/liabilities, values for each of the assets/liabilities, shares owned or a percentage of each issue as part of the entire portfolio, and an input of what the user wishes to have limited for downside risk ("shielded or protected"). The processor analyzes the portfolio using, among other known techniques, value-at-risk and sensitivity algorithms and probabilistic analysis to determine an expected likelihood of a catastrophic loss in value at a plurality of specified levels and a likely distribution of outcomes for the portfolio over specified periods, and can also calculate the cost of

hedging the risk through the purchase of instruments traded in the public markets. (see column 6 lines 10-60)

Therefore it would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Jenkins to include processing data on the computer to compute taught by Wallman in order to for an investor can manage and limit the inherent risk in a portfolio.

As per claim 14, Jenkins discloses a computer system comprising:

pursuant to FAS 133. (Note abstract) the for a financial exposure and an associated hedging instrument by designating a portion of the value of the financial exposure as being hedged by the hedging instrument (see page 9-12 of paragraph 18-22) the portion being determined based on processing of data representing a price sensitivity of the hedging instrument with respect to changes in market value of an underlying financial instrument. (see page 9-12 of paragraph 18-22) in each of a plurality of sequential periods. ("i. e, future periods "see page 16 paragraph 31").

Jenkins fail to explicitly teach, data is computed to redesignate the portion of the financial exposure based on changed price sensitivity. ("i. e, changes") of the hedging instrument.

However Jenkins teaches designation of the portion of the financial exposure based on changed price sensitivity of the hedging instrument, and it would have been obvious to one of ordinary skill in the art that redesignation of the portion of the financial exposure based on changed price sensitivity of the hedging instrument would have been simply repeating the designation process of Jenkins.

Jenkins fail to teach a host computer comprising a processor coupled to a memory comprising instructions to configure the processor to process executable instructions and data to compute a value representing a reduction in earnings volatility in a derivative account.

However Wallman discloses However Wallman discloses, a computer-based system for managing risk underlying a portfolio of assets/liabilities, includes a graphical user interface, a memory (with a custodial feature), a processor and a link to the party incurring the risk, which could include the public markets through publicly traded

hedging devices such as puts and calls. The graphical user interface enables the user to enter information about the portfolio, including a list of assets/liabilities, values for each of the assets/liabilities, shares owned or a percentage of each issue as part of the entire portfolio, and an input of what the user wishes to have limited for downside risk ("shielded or protected"). The processor analyzes the portfolio using, among other known techniques, value-at-risk and sensitivity algorithms and probabilistic analysis to determine an expected likelihood of a catastrophic loss in value at a plurality of specified levels and a likely distribution of outcomes for the portfolio over specified periods, and can also calculate the cost of hedging the risk through the purchase of instruments traded in the public markets. (see column 6 lines 10-60 and column 8 lines 35-65).

Therefore it would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Jenkins to include host computer comprising a processor coupled to a memory comprising instructions to configure the processor to process executable instructions and data to compute a value representing a reduction in earnings volatility in a derivative account taught by Wallman in order to for an investor can manage and limit the inherent risk in a portfolio.

Response to Arguments

5. Applicant's arguments files on 3/05/04 have been fully considered but are moot in view of the new grounds of rejections.

Conclusion

6. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Clement B Graham whose telephone number is 703-305-1874. The examiner can normally be reached on 7am to 5pm.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Hyung S. Sough can be reached on 703-308-0505. The fax phone numbers for the organization where this application or proceeding is assigned are for regular communications and 703-305-7687 for After Final communications.

Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the receptionist whose telephone number is 703-308-1113.

CG
July 4, 2004

HYUNG SOUGH
SUPERVISORY PATENT EXAMINER
TECHNOLOGY CENTER 3600